

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57982

WALLA WALLA COUNTY, WASHINGTON

January 1, 1994 Through December 31, 1995

Issue Date: January 24, 1997

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WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Walla Walla County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level**

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the general-purpose financial statements of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted reportable conditions that we believe to be material weaknesses, which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. The County Treasurer's Office Accounting System Internal Controls Should Be Improved

Our review of the county treasurer's office revealed material internal control weaknesses in the accounting controls and the control structure as follows:

- a. Checks are drawn based on verbal instructions of the county treasurer and there is no evidentiary indication of subsequent review by the treasurer to ensure only authorized checks were written.
- b. The checking account is reconciled by the same person who writes checks and also performs periodic cash receipting
- c. The accounting staff performs cash receipting duties.
- d. Adjustments to cash drawer receipts are not fully documented, reviewed, and approved by a supervisor.
- e. Several cashiers work out of the same cash drawer.
- f. Cash receipts do not indicate the method of payment (ie., cash vs. check).
- g. Cash over and shorts are not recorded by cashier.
- h. Cash book balance is not confirmed to bank records on a periodic basis.
- i. Authorized property tax cancellations are not reconciled between the tax roll and the general ledger property taxes receivable account.
- j. Property taxes outstanding per tax rolls are not reconciled to property taxes receivable on the general ledger system.

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

The treasurer's office has experienced significant staff turnover in the past several years. This has resulted in some responsibilities being combined in an effort to maximize remaining staff experience. In addition, the treasurer's office accounting system is not programmed to record mode of payment on the receipts or provide individual cashier accountability.

We recommend the county treasurer establish and maintain an effective system of internal controls by implementing such procedures as:

- a. Periodic review of the check register by the treasurer including signatory evidence approving all checks.
- b. Preparation of bank reconciliations by a person independent of check signing and cashiering duties.
- c. Modify cash receipt accounting software to allow for:
 - (1) Separate cash drawers for all cashiers,
 - (2) Cash receipt accountability by cashier, and
 - (3) Mode of payment identification.
- d. Provide that each cashier:
 - (1) Have their own lockable cash drawer.
 - (2) Reconcile their cash drawers to receipts received by method of payment,
 - (3) Prepare their own bank deposits and personally secure them in a locking bag accessible only to the bank.
- e. Fully document adjustments to cash receipt drawer summary reports. All adjustments should be approved by a supervisor.
- f. Account for cash drawer over/shorts by individual cashier.
- g. Segregate duties between the accounting staff and the cashiers.
- h. Assign deposit review and validating responsibilities to a person independent of cash receipting.
- i. Periodically reconstruct cash book balances by confirming with banking institutions.
- j. Reconcile tax roll cancellations per the tax roll to the property taxes receivable noncash credits recorded in the general ledger system. This reconciliation should be done by someone independent of cashiering duties.
- k. Periodically reconcile outstanding property taxes per the tax rolls to the general ledger system.

Auditee's Response

Per the Walla County Board of Commissioners, the following individuals responded to their applicable findings.

*O. Kent Osborne, County Treasurer
Bill H. Jackson, County Sheriff
Jerry A. Votendahl, District Court Judge
Janice E. Bates, County Auditor
Attorney R. F. Monahan, Walla Walla Frontier Days Board*

As you can see, compliance has been achieved regarding most areas of your findings, or plans have been submitted. Please take these replies into consideration prior to finalizing your findings and releasing same.

O. Kent Osborne, County Treasurer

I received a copy of the draft audit findings on December 5, and would like to briefly respond to the items as follows:

a. Review of Check Register

I will immediately begin the practice of reviewing and initialing the check register page. This has been done informally as part of the decision-making process concerning our cash management moves to or from the checking account (moving cash between our checking accounts and our cash management account).

b. Banking reconciliations

The responsibility to reconcile the check book and bank statements can be shifted among staff members.

In order to facilitate both items a and b, I believe the Treasurer's Office should acquire a personal computer and printer, which would assist in maintaining the check register, issuing checks, and reviewing these activities. A PC with the proper programs could also greatly assist in the process of reconciling the statement. The State Auditor's Office uses a four column reconciliation program that might be available. I will also explore with the County's data processing department the option of using our current system to better advantage.

c. -d. Cashiers/cash drawers

Items c-(1) (separate cash drawers) and c-(2) (cash receipt accountability) will require each cashier to have their own workstation, register, and till box. It will require a new style front counter, and some additional terminals and tills. This may also require some program modification, and we may decide to change the style and method of billing and receipting to streamline the process. I believe item c-3 (mode of payment ID) has been addressed with the change made in April 1996. The state auditor will be asked for his opinion on whether or not any other items need to be changed.

e. Fully documenting documents to Cash Receipt Drawer Summary Reports

Compliance with this finding will require supervisory overrides, which will be discussed with the County's data processing department. Other changes will be instituted to reduce the chance of receipting errors.

f. Accounting for cash drawer over/short

Whenever a shortage or overage has occurred, this office has always attempted to find the source and correct the error. It can be a difficult process with several cashiers working in the same drawer. When we have been unable to find the error, it is the Treasurer's responsibility to cover the shortage, which I have done several times. With individual drawers, it would narrow the focus of the search. I will also see about program changes that will better enable us to track currency taken in and given out, similar to banks. We may also find it necessary to have our customer and the teller sign for cash received and cash given out.

g. Segregate duties

This will be started as soon as possible. It will create some extra work for the cashiers.

h.-i. Deposit review and Reconstruction of cash book balances

I am seeking clarification of these items from the state auditor, at which time I will address same.

j.-k. Reconciling tax cancellations and Outstanding property taxes

Program changes will be required to accomplish these items, and possibly some reassignment of duties. These items will also be discussed with the County's data processing department.

In conclusion, I feel that a number of the findings, if not most, could be addressed by working together. We need to look at new office designs and procedures, coupled with new equipment and a totally new set of software programs. It is essential that the program operate at optimum efficiency, to reduce duplication of time and efforts.

2. The Sheriff's Office Cash Handling Internal Controls Should Be Improved

Our review of the sheriff's office revealed material internal control weaknesses in the cash handling controls and the control structure as follows:

- a. Funds (i.e., inmate welfare, license fees, gun permits, etc.) received on behalf of other governmental agencies are not receipted into the sheriff's cash receipting system.
- b. All deposits are not made using two-part deposit slips.
- c. Bank validated deposit slips are not obtained.
- d. Bank accounts are reconciled by a person who also has check writing and cash receiving duties.
- e. Endorsement of checks received for deposit does not include the bank account number or "deposit only."
- f. Travel advances are made without approval of the sheriff.
- g. Bail receipts received by the jail are not deposited immediately. The funds are held and remitted to the courts once a week.

- h. Citation use is not monitored and accounted for.

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

RCW 46.64.010 states in part:

The chief administrative officer of every such traffic enforcement agency shall require the return to him of a copy of every traffic citation issued by an officer under his supervision to an alleged violator of any traffic law or ordinance and of all copies of every traffic citation which has been spoiled or upon which any entry has been made and not issued to an alleged violator.

Such chief administrative officer shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge by the court or its traffic violation bureau in which the original or copy of the traffic citation was deposited.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

Due to resource limitations, the sheriff's office is understaffed. However, we believe our recommendations can be implemented without additional resources.

We recommend the sheriff establish and maintain an effective system of internal controls such as:

- a. Receipting and depositing all funds received into the revolving fund.
- b. Remitting funds to the courts and other government agencies by check through the Revolving Fund.
- c. Using two-part deposit slips and obtaining bank validation on the copy retained.
- d. Assigning bank account reconciliations to a person independent of account control, or implement supervisory review of the bank reconciliations by the sheriff and his initialing of the bank reconciliations indicating his review.
- e. Changing the check endorsement stamp to include the account number of the bank account and state "Deposit only into the account of the Walla Walla County Sheriff."

- f. The sheriff should periodically review all travel requests and initial the request showing his review and approval. These requests should be retained as support for the advance travel checks.
- g. Receipting bail receipts on a daily basis into the sheriff's Revolving Fund and remitting to the proper court using a Revolving Fund check.
- h. Periodically preparing a numerical listing of all citations issued and account for all citations (using both the district court's DISCIS system and the sheriff's citation log).

Auditee's Response

Bill H. Jackson, County Sheriff

In response to the recommendations made by state auditor Gordon Heimbigner, he has already discussed these items with us. Some of the recommendations had been implemented prior to his report; other procedures will be modified as necessary to ensure compliance.

More specifically, the following procedures will be adopted:

- a. *All funds received into the revolving fund are presently receipted with one exception. Cash received for firearm dealer licenses by this department is deposited into the account and a check prepared payable to Department of Licensing for the entire amount. We will eliminate this necessity by requiring those applicants to provide a check or money order payable to DOL, which will effectively take us out of the loop and bring us into complete compliance.*
- b. *Funds to the courts, etc., are presently being remitted via check, a procedure adopted after the audit was conducted.*
- c. *We presently use two part deposit slips and will begin having the retained copy validated by the bank.*
- d. *Because of our small staff, it has been impossible to have the bank account reconciled by someone independent of the civil department. At the Auditor's suggestion, I will review these records and initial that I have done so.*
- e. *We will order a new stamp to stamp the backs of checks.*
- f. *I will initial travel request forms.*
- g. *See item b. Already implemented prior to these recommendations.*
- h. *This is the only issue that presents any type of problem for us. We can and do keep an internal record of all citations, but are unable to verify that they are entered into the court system. We will consult with Data Processing to ascertain if we can access the DISCIS system in a manner to allow us to track individual citations.*

3. District Court Cash Handling Internal Controls Should Be Improved

Our review of the district court revealed material internal control weaknesses in the cash handling controls and the control structure. These weaknesses are as follows:

- a. The bank account is reconciled by a person who also has check writing and cash receiving duties.
- b. All clerks work out of one cash drawer.
- c. Probation officer receipts are not reviewed and agreed to validated bank deposit slip for cash/check composition.
- d. Restitution cases turned over to the probation officer for collection are not accounted for by the court administrator.
- e. The collection of restitution moneys is not reviewed or reconciled on a periodic basis.

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

The administrator believes the following have contributed to the conditions noted: 1) the District Court has a limited staff, 2) customer service is a high priority, therefore all staff need to be available to collect fines, 3) to implement and balance individual cash drawers would not be cost effective, and 4) the administrator did not perceive the need to monitor the collection of restitution moneys.

We recommend the District Court establish and maintain an effective system of internal controls by implementing such procedures as:

- a. Bank reconciliations be prepared by a person independent of check signing and cashiering duties.
- b. Each cashier:
 - (1) Have their own lockable cash drawer.
 - (2) Reconcile their cash drawers to receipts received by method of payment (i.e., cash vs. check).Prepare their own bank deposits and secure it in a locking bag accessible only to the bank.
- c. The District Court administrator compare validated bank deposit slips for the probation officers' deposits with the cash receipts method of payment information.

- d. The District Court administrator log all cases turned over to the probation officer.
- e. The probation officer provide the District Court administrator with a regular status of cases which would include restitution payments received and subsequent disbursement of these funds.

Auditee's Response

Jerry A. Votendahl, District Court Judge

The following is in response to the State Auditor's findings.

- a. *True - however after consolidation, these duties will be divided.*
- b. *True - but upon consolidation this will be corrected.*
- c. *This is and will be overseen by the Court Administrator.*
- d. *This will be overseen by the Court Administrator - but there are adequate records made on all restitution.*
- e. *Not true. Bank statement is reconciled monthly. The court is also made aware of this factor. However, upon consolidation, this will be reported monthly to the Court Administrator.*

The following is in response to the State Auditor's recommendations.

- a. *OK once consolidation is in place.*
- b. *When physically possible, OK. Upon consolidation - should be accomplished.*
- c. *OK*
- d. *We don't know why the log needs to be prepared by the Court Administrator, but this will be done by the Probation Officer and is already in the computer upon sentencing.*
- e. *OK*

Notwithstanding our willingness to make those changes as recommended, it should be noted that we believe that sufficient checks and balances are in place at this time. It should also be noted that Walla Walla District Court has not, to my knowledge, ever received a bad audit.

4. County Auditor's Office Internal Controls Should Be Improved

Our review of the county auditor's office revealed internal control weaknesses in the cash handling controls and the control structure as follows:

- a. Vehicle license back-out transactions done by the supervisor of the vehicle licensing operation are not verified by a second person. Back-out transactions occur when incorrect information has been entered into the system.
- b. Cash register tapes in the recording department are not balanced to the cash drawer contents for method of payment (i.e., cash versus checks composition).

This is a partial repeat of a general cash handling finding in the prior audit report.

Pursuant to the *Revised Code of Washington* (RCW) 43.09.200, Volume 1, Part 3, Chapter 1, pages 15-18 of the *Budget, Accounting and Reporting Systems* (BARS) manual describes internal controls as:

An internal control system consists of the plan of organization and method and procedures adopted by management that ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed.

The absence of adequate internal control systems creates an environment in which errors or irregularities could occur and not be detected in a timely fashion.

The vehicle licensing supervisor did not understand the purpose for verifying the back-out transactions. The recording department staff were not properly trained to perform cash register transaction corrections. This lack of training resulted in inaccurate cash register tapes because department staff were unable to reverse incorrect entries. As a result, cash drawer contents were not balanced to the cash register tapes due to the inaccurate tapes.

We recommend the county auditor establish and maintain an effective system of internal controls by implementing such procedures as:

- a. Require all backed-out transactions be reviewed and verified by a second person.
- b. Obtain training for the recording department staff in the full use of a cash register.
- c. Balance on a daily basis, the cash drawer contents to the cash register for mode of payment.
- d. Assign a person, independent of the cashiering duties, the duties of comparing the daily recording cash register tape with the county treasurer's receipt for deposit of the funds, including comparison of cash register mode of payment to the treasurer's receipt mode of payment.

Auditee's Response

Janice E. Bates, County Auditor

The following are responses to State Auditor's findings:

- a. *Has been corrected.*
- b. *This is being taken care of.*

The following are responses to State Auditor's recommendations:

- a. *New procedure has taken effect.*
- b., c., d. *We are in the process of making this correction.*

5. The County Should Improve Internal Controls Over The "Walla Walla Frontier Days" Fair

During our audit of the fair, we noted the following internal control weaknesses:

- a. Parking revenue collected by a contractor on behalf of the county cannot be substantiated by supporting documentation;
- b. Moneys collected by individual ticket sellers cannot be reconciled to subsequent bank deposits;
- c. Prenumbered admission tickets are not monitored or reconciled to cash receipts; and
- d. Unused prenumbered admission tickets were not retained until the audit was completed.

RCW 43.09.200 requires supporting documentation necessary to prove the validity of the transaction.

Without proper supporting documentation, the county is unable to determine if all public moneys have been accounted for and received. Based on the lack of proper documentation, we were unable to determine if any misappropriations had occurred.

Fairground personnel were relying on the integrity of the contractor to remit the proper amount to the county. Personnel turnover has caused inconsistent accounting control procedures to be followed.

We recommend the county implement and maintain internal control procedures necessary to: 1) establish the validity of parking revenues due (i.e., a flat fee rate structure), 2) reconcile individual ticket seller activity to the subsequent bank deposit, and 3) monitor and account for prenumbered ticket use.

Auditee's Response

R. F. Monahan, Vice President of Walla Walla Frontier Days Board

- a. *Parking Revenue: The Rotary Club will either pay a flat fee for the parking lots or will be required to use tickets to balance which will give a means of auditing sales.*
- b. *Individual Ticket Sellers monies: Each shift will have a bank deposit slip made with the sellers balance sheets and an explanatory balance sheet attached.*
- c. *Admission Tickets: All rolls will have the last ticket pulled and the ending number of the roll written on it. All will be attached to an audit sheet. When the ticket rolls are burned, two people will be present and the rolls will be verified to the audit sheet before they are burned. The audit sheet will be initialed by both people burning the rolls.*
- d. *Unused Tickets: Covered in the above.*

6. The County Should Close All Unauthorized "Walla Walla Frontier Days" Fair Bank Accounts

During our audit of the "Walla Walla Frontier Days" fair, we noted nine different bank accounts that were not authorized by the treasurer.

RCW 43.09.240 requires every public officer or employee to deposit public moneys with the treasurer of the local government every twenty-four consecutive hours.

Unauthorized bank accounts could lead to improper activity because the transactions are not monitored by the treasurer.

The unauthorized bank accounts resulted from personnel turnover and lack of management oversight.

We recommend the county close all unauthorized bank accounts immediately.

Auditee's Response

R. F. Monahan, Vice President of Walla Walla Frontier Days Board

The questioned accounts will be dealt with as follows:

Walla Walla Frontier Days Revolving Account will be determined for fair time and will carry the signatures of Judy Frazier, the manager, and/or the board president and the treasurer of Walla Walla County.

Stall Deposit Fund will continue and will carry the names of Judy Frazier, the manager, and the treasurer of Walla Walla County.

Horsemen's Bookkeeper Account will continue and will carry the Horsemen's bookkeeper, Chris Halley, R. F. Monohan, the director of racing, plus the treasurer of Walla Walla County.

Ticket Office will have Judy Frazier, Sharon Colley, and treasurer of Walla Walla County.

Court Scholarship Fund will be closed and will no longer exist.

Frontier Days Booster Account will be closed and will no longer exist.

SEWF IVALL Sutherland account will be closed and will no longer exist.

Walla Walla Frontier Days account for the royalty will have signatures of Connie R. Vinti, Rose Hof, and the treasurer of Walla Walla County.

Walla Walla Frontier Days Special Account will carry the names of Jill Kennedy, Pat Ingham and the treasurer of Walla Walla County.

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the accompanying general-purpose financial statements of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Walla Walla County, at December 31, 1995 and 1994, and the results of its operations and cash flows of its proprietary fund types for the fiscal years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State Financial Assistance listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The special purpose districts listed in the supporting schedule are audited as a part of the trust and agency funds of Walla Walla County.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 1996, on our consideration of the county's internal control structure and a report dated December 16, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Additional Information Regarding Audits Of Special Purpose Districts Included In
Trust And Agency Funds**

The State Auditor's Office has established audit policies for special purpose districts associated with the county's financial statements. These audit policies are designed to reflect low audit risk assessment, minimize audit costs, and apply auditing procedures that are appropriate to the district's size and other factors. For the purpose of these policies, special purpose districts are defined as most separate municipal corporations which use the county auditor and treasurer as ex-officio officers. Special purpose districts include:

- Unclassified Public Utility Districts
- Public Hospital Districts
- Unclassified Port Districts
- Cemetery Districts
- Ferry Districts (except county ferries)
- Fire Protection Districts
- Park and Recreation Districts
- Mosquito Control Districts
- Weed Control Districts
- Animal Pest Control Districts
- Ambulance and First Aid Districts
- Irrigation Districts
- TV Reception District
- Diking Districts
- Flood Control Districts
- Drainage Districts
- Diking and Drainage Districts
- Water Districts
- Sewer Districts
- Water/Sewer Districts

These policies DO NOT apply to school districts, airport districts, road improvement districts, county road and bridge service districts, utility local improvement districts, local improvement districts, metropolitan park districts, public transportation benefit areas, housing authorities, solid waste collection districts, county rail districts, lake management districts, or any economic or industrial development districts.

Classifications

Special purpose districts are classified into three categories determined by the amount and source of revenues. These categories define audit planning and scheduling, auditing procedures and levels of testing, billing procedures, and audit reporting requirements.

Category 1 Districts

All special purpose districts, regardless of type, which either:

- a. Had more than \$500,000 of revenues in any year being audited, or
- b. Received \$25,000 or more of direct or indirect federal assistance in any year being audited.

Category 1 districts are audited individually and each receives its own audit report. The Category 1 districts associated with the county's financial statements are:

Port of Walla Walla
Valley Transit

Category 2 Districts

All special purpose districts which had total revenues of at least \$25,000 but not more than \$500,000 in any year being audited and which received less than \$25,000 in direct and indirect federal assistance. Additionally, the following types of districts will be considered as Category 2 even if their annual revenues are less than \$25,000:

Public Utility Districts
Public Hospital Districts
Irrigation Districts
Water Districts
Sewer Districts
Water/Sewer Districts
Port Districts

These types of districts have greater audit risks than other types of districts of equivalent size because they typically received a significant amount of their revenues from locally generated sources rather than through taxes and assessments.

Category 2 districts are audited as a group using limited auditing procedures. A single, combined audit report is issued for the Category 2 districts. The Category 2 districts associated with the county's financial statements are:

Walla Walla County Fire Protection District No. 1
Walla Walla County Fire Protection District No. 3
Walla Walla County Fire Protection District No. 4
Walla Walla County Fire Protection District No. 5
Walla Walla County Fire Protection District No. 6
Walla Walla County Fire Protection District No. 7
Walla Walla County Fire Protection District No. 8
Lowden Irrigation District No. 2
Blalock Irrigation District No. 3
Burbank Irrigation District No. 4
Westside Irrigation District No. 5
Eastside Irrigation District No. 6
Mud Creek Irrigation District No. 7
Artesia Irrigation District No. 8
Hydro Irrigation District No. 9
Orchard Irrigation District No. 10
Green Tank Irrigation District No. 11

Blalock Orchard Irrigation District No. 12
Gardena Farms Irrigation District No. 13
Consolidated Irrigation District No. 14
Touchet Valley Irrigation District No. 16
Walla Walla County Rural Library District
Walla Walla County Columbia Mosquito Control District
Walla Walla County Noxious Weed District
Wallula Water District No. 1
Touchet Water District No. 2
Sun Harbor Water District No. 3
Burbank Water District No. 4
Prescott Park and Recreation

Category 3 Districts

All special purpose districts which had total revenues of less than \$25,000 in any year being audited except those districts specifically listed in Category 2.

Category 3 districts are audited only at the county level using auditing procedures appropriate for a trust and agency fund. No separate audit reports are issued for Category 3 districts. The Category 3 districts associated with the county's financial statements are:

Cemetery District
Lower Dry Creek Flood
Waitsburg-Coppei Flood
Fire Protection District No. 2
Walla Walla Water Power

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the general-purpose financial statements of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 16, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the Walla Walla County taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the general-purpose financial statements of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 16, 1996.

We have applied procedures to test the county's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1995 and 1994:

- Political activity
- Davis-Bacon Act
- Civil rights
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Cash management
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs**

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the general-purpose financial statements of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 16, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1995 and 1994. Those requirements include:

- types of services allowed or unallowed
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to vouchers and sampling and testing as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Walla Walla County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal years ended December 31, 1995 and 1994.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Commissioners
Walla Walla County
Walla Walla, Washington

We have audited the general-purpose financial statements of Walla Walla County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated December 16, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 16, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on the compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and internal control structure procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 16, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash disbursements
 - Purchasing and receiving
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Federal financial reports
 - Allowable costs/cost principles
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash receipts
 - Receivables
 - Accounts payable
 - Inventory control
 - Property, plant, and equipment
- **General Requirements**
 - Cash management
 - Relocation assistance and real property acquisition
 - Drug-Free Workplace Act

- **Specific Requirements**
 - Eligibility

During the fiscal years ended December 31, 1995 and 1994, the county expended 74 percent and 60 percent, respectively, of its total federal financial assistance under a major federal financial assistance program and the following nonmajor federal financial assistance program: Juvenile Justice and Delinquency Prevention (CFDA 16.540) (for 1994 only).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the county's major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, and the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

December 16, 1996

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Status Of Prior Findings

The findings contained in the prior audit report were resolved as follows:

Report No. 56284 - January 1, 1992, through December 31, 1993:

Compliance/Internal Control Findings:

1. Walla Walla Frontier Days Should Properly Support And Report Fair Attendance Figures

Resolution: The Frontier Days instituted internal controls to ensure that turnstile reading were updated correctly each day. The Washington State Department of Agriculture was notified of the problem.
2. Fair Sponsorship Items Should Be Recorded

Resolution: The fair does not handle sponsorships currently. The sponsorship program is now handled by the Frontier Days Foundation, a nonprofit corporation.
3. General Ledger Software Needs Improvement

Resolution: The county departments have instituted subsidiary systems to compliment the general ledger software.
4. District Court Procedures Should Be Improved

Resolution: The DISCIS statewide electronic data processing system was installed in the fall of 1995. All cashiers still work out of one cash drawer. See Finding 4.
5. County Offices Should Revise Daily Deposit Procedures

Resolution: Although the county has taken steps to improve cash handling procedures, problems still exists. See Findings 1, 2, 3, 4, and 5.
6. Distribution Of Emergency Medical Services Taxes Should Be Documented

Resolution: The county's Emergency Medical Services Department Director performs random audits of the fire districts and cities that receive the funds to ensure the funds are spent in accordance with the tax levy.

Federal Findings:

1. Human Services Should Monitor Audits Of Subrecipients

Resolution: The Department of Human Services developed agency audit report review procedures to review the audits of subrecipients.

2. Walla Walla County Should Develop Procedures To Assure That Federally Funded Contracts Are Not Awarded To Debarred Or Suspended Parties

Resolution: The departments that award contracts have developed a system for reviewing the status of contractors.

3. Human Services Should Prepare Reimbursements Based On Actual Costs

Resolution: Human Services still bills based on budget, but billed amount is compared to actual at the end of the contract period. Contracts reviewed showed that the county had more expenditures than were reimbursed by the contracts.

4. The County Should Enact A Conflict Of Interest Policy

Resolution: The county is in the process of updating the personnel policies, and the conflict of interest policy is included as Policy No. 40.0.

5. The County Should Modify The Written Agreement With WSDOT

Resolution: Standard WSDOT contracts are used. The county is receiving better information from WSDOT on what WSDOT is billing the county for.

6. The Court Clerk Should Control Support Payments

Resolution: The clerk converted to the JASS court system. In this system, all support payments are receipted into clerk's trust, and then remitted by check out of the trust account.

Report No. 57405 - Special Audit July 25, 1994, Through August 14, 1995:

Public Funds Were Misappropriated. Vehicle Licensing Records Were Falsified. Customer Signatures Were Forged. And Accounting Records Were Destroyed By A County Employee

Resolution: The county employee was released from service and subsequently plead guilty to theft. A judgment was awarded to the county for restitution of \$1,894.71 in loss and \$10,887.36 in audit/investigation.

WIC Fiscal Assessment October 1, 1994, Through September 30, 1995:

The Walla Walla City-County Health Department Should Properly Document Employee Time Charged To The WIC Program

Resolution: The health department is now using timesheets to record hours to be billed to the WIC program.

WALLA WALLA COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1995

Schedule Of Prior Federal Questioned Costs

Report No. 56284 - January 1, 1992, through December 31, 1993:

<u>Grant</u>	<u>CFDA Number</u>	<u>Audit Report Year</u>	<u>Questioned Costs</u>	<u>Current Status Resolved/Unresolved</u>
Juvenile Justice- Community Connection	16.540	1/1/92-12/31/94	\$63,176	X
Alcohol and Drug Abuse and Mental Health Ser- vice Block Grant Contr. No. 1440-83477	93.992	1/1/92-12/31/94	18,412	X